

Message Text

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ACTION EA-14

INFO OCT-01 INRE-00 CPR-02 TRSE-00 DRC-01 SSO-00 NSCE-00

NEA-10 EB-11 AID-20 SCEM-02 SCI-06 INT-08 COME-00

OMB-01 IO-14 XMB-07 AGR-20 SY-10 USIE-00 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04

RSC-01 PRS-01 SPC-03 SS-20 ISO-00 /189 W

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C O N F I D E N T I A L TOKYO 0201

E.O. 11652: GDS

TAGS: ENRG, OVIP, EAID, JA

SUBJECT: MORE ON MIKI VISIT

REF: TOKYO 0128

SUMMARY: ECONCOM/MIN REVIEWED RESULTS OF MIKI TRIP WITH SABURO OKITA OF OECF, WHO ACCOMPANIED MIKI AND PARTICIPATED IN ECONOMIC DISCUSSIONS. HE PROVIDED OVERVIEW CONSISTENT WITH REFTEL, BUT ADDED THAT MIKI DESIRE VISIT WASHINGTON LARGELY RESULT OF HIS WISH TO DEMONSTRATE TO ARABS THAT GOJ RESPONDING TO THEIR REQUEST THAT JAPAN ATTEMPT INFLUENCE US POLICY IN SUPPORT ARAB INTERPRETATION OF RES. 242. MIKI TEAM MEMBERS ALSO NOTICED ARAB CONCERN THAT OIL WEAPON NOT BE OVERDONE. GOJ RESPONDING TO SAUDI AND IRANIAN DEMAND PREFERENTIAL TREATMENT ON EXPORTS TO THEM OF NECESSARY COMMODITIES. GOJ ALSO HOPES TO RESPOND TO OTHER REQUESTS FOR ECONOMIC ASSISTANCE IN NEAR FUTURE. END SUMMARY.

1. ON JANUARY 8 ECONCOM/MIN MET DR. SABURO OKITA TO REVIEW RESULTS OF DEPUTY PM MIKI'S RECENT TRIP TO
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MIDEAST. OKITA, WHO ACCOMPANIED MIKI ON HIS TRIP, IS

HEAD OF JAPAN'S OVERSEAS ECONOMIC COOPERATION FUND AND ONE OF JAPAN'S FOREMOST ECONOMISTS.

2. OKITA BEGAN BY GIVING OVERVIEW OF TRIP CONSISTENT WITH THAT REPORTED REFTEL. DURING MEETINGS WITH ARAB LEADERS MIKI REPEATEDLY EXPLAINED DUAL PURPOSES OF HIS TRIP:

A) STUDY NATURE OF ME CONFLICT AND DETERMINE IN WHAT WAYS JAPAN COULD CONTRIBUTE TO PEACE, AND B) GAIN FAMILIARITY WITH PROBLEMS OF ARAB COUNTRIES AND EXPLORE POSSIBILITIES OF JAPANESE-ARAB ECONOMIC AND TECHNICAL COOPERATION. MIKI FELT TRIP PROVIDED GOOD OPPORTUNITY FOR PERSONAL CONTACT BETWEEN JAPANESE AND ARABS, AND DETECTED UNDERLYING FRIENDLY FEELING ON PART OF ARABS TOWARD JAPANESE PEOPLE. MEMBERS OF MIKI TEAM ALSO FOUND SOME CONCERN IN ARAB STATES THAT ARABS SHOULD NOT OVERDO OIL PRODUCTION CUTBACKS.

3. NO COUNTRY DEMANDED THAT JAPAN SEVER RELATIONS WITH ISRAEL, BUT ALL WANTED JAPAN TO EXERCISE INFLUENCE TOWARD IMPLEMENTATION OF RES 242, ESPECIALLY THROUGH INFLUENCING USG POLICY. MIKI'S RESPONSE WAS TO EXPRESS RESERVATIONS ABOUT WHAT JAPAN ACTUALLY COULD ACCOMPLISH, BUT THAT HE WOULD TRY TO FIND SOLUTION TO ME PROBLEM. OKITA SAID "MIKI RUSHING TO WASHINGTON" TO DEMONSTRATE TO ARABS THAT HE FULFILLING THEIR REQUEST TO ATTEMPT TO INFLUENCE US POLICY, PARTICULARLY IN SUPPORT OF ISRAEL'S WITHDRAWAL FROM OCCUPIED TERRITORIES AS CALLED FOR BY ARAB INTERPRETATION OF RES 242.

4. TURNING TO ECONOMIC COOPERATION DISCUSSIONS, OKITA SAID ALL ARAB COUNTRIES (AS WELL AS IRAN) VERY ANXIOUS TO INDUSTRIALIZE AND DESIRE JAPANESE HELP IN ACCOMPLISHING THIS. HOWEVER, THEY COMPLAIN THAT, ALTHOUGH THERE HAVE BEEN MANY APPROACHES BY JAPANESE BUSINESS REPRESENTATIVES, FEW PROJECTS HAVE ACTUALLY MATERIALIZED, WITH JAPANESE CITING ECONOMIC REASONS SUCH AS SMALL MARKETS AND WATER SHORTAGES. ME COUNTRIES FEEL IRRITATION AND FRUSTRATION BECAUSE OF THIS. INDUSTRIALIZATION IS ALSO NECESSARY IN GOJ VIEW TO PROVIDE OUTLET FOR ARAB MONEY. CONFIDENTIAL

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INVESTMENT IN DOWNSTREAM FACILITIES AND IN THEIR OWN ECONOMIES WOULD USE MONEY AND GIVE ARABS INCENTIVE TO CONTINUE OR INCREASE OIL PRODUCTION. SINCE IT SEEMS SOMEWHAT QUESTIONABLE THAT PRIVATE INDUSTRY WOULD FIND PROSPECTS PROFITABLE IF BASED ENTIRELY ON COMMERCIAL CONSIDERATIONS, GOJ FEELS IT NECESSARY WORK OUT SOME KIND OF GOVERNMENTAL COOPERATIVE ARRANGEMENT TO PROMOTE

INDUSTRIALIZATION. GOJ NOT SURE OF BEST APPROACH, BUT ONE POSSIBILITY WOULD BE PROVISION OF SOME OF NECESSARY FUNDS ON SOFT TERMS BY JAPAN'S EX-IM BANK AND/OR OECF.

5. DURING TRIP, JAPANESE EXPLAINED FAR-REACHING EFFECTS ON JAPANESE ECONOMY OF PRODUCTION CUTBACKS, AND THE RESULT ON OTHER ASIAN COUNTRIES OF DECREASING JAPANESE EXPORTS OF SUCH ITEMS AS STEEL, PLASTIC, CEMENT. JAPANESE POINTED OUT IN PARTICULAR FACT THAT OIL CUTBACKS WOULD RESULT IN DECREASED FERTILIZER PRODUCTION, AND THIS WOULD RESULT IN FOOD SHORTAGES IN MANY COUNTRIES. SAUDI ARABIA COMPLAINED THAT JAPANESE EXPORTS OF INTERMEDIATE INDUSTRIAL PRODUCTS TO THEM HAD BEEN DECREASED IN RECENT MONTHS AND ASKED WHETHER THIS RETALIATION FOR OIL CUTBACKS. JAPANESE SAID THIS NOT THE CASE BUT RATHER RESULT OF DISLOCATION CAUSED BY OIL CUTBACKS. SAUDIS AND IRAN EXPRESSED UNDERSTANDING BUT REQUESTED PREFERENTIAL TREATMENT TO INSURE CONTINUED SUPPLY OF NECESSARY GOODS. IRAN IN PARTICULAR, NOTING IT HAD NOT CUT BACK OIL PRODUCTION, STRONGLY PRESSED THIS POINT. MIKI SAID JAPAN WOULD DO WHAT IT COULD AND WOULD MAKE SPECIAL EFFORTS TO MEET THESE REQUESTS. MITI IS FOLLOWING UP NOW IN EFFORT TO MEET REQUESTS, SAID OKITA.

6. MIKI MADE OFFICIAL COMMITMENT TO ASSIST FIRST PHASE OF SUEZ CANAL IMPROVEMENT, INVOLVING \$140 MILLION LOAN, BUT MADE CLEAR SECOND PHASE SUEZ PROJECT WOULD DEPEND ON OUTCOME DETAILED FEASIBILITY STUDIES ON ALTERNATIVES OF PIPELINE OR LARGE TANKERS TAKING CAPE ROUTE. GOJ ALSO NOW STUDYING EGYPTIAN REQUEST FOR COMMODITY LOANS FOR CIVILIAN IMPORTS.

7. IN ECONOMIC DISCUSSIONS WITH SAUDIS, ACCORDING TO CONFIDENTIAL

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OKITA, THEY PROPOSED SEVERAL PROJECTS, E.G., REFINERY, STEEL MILL, AND PLANT TO MANUFACTURE STEEL PIPE, AND REQUESTED JAPANESE COOPERATION. IT DIFFICULT FOR PRIVATE BUSINESS TO IMPLEMENT THESE PROJECTS, AND SAUDIS ARE QUITE ANXIOUS TO HAVE THEM, SO GOJ WILL HAVE TO FORMULATE SOME RESPONSE. DANGER IS THAT IF GOJ DOES NOT RESPOND FAVORABLY THERE WILL BE DIRECT, UNFAVORABLE REPERCUSSIONS. GOJ HOPES TO HAVE RESPONSE TO VARIOUS REQUESTS WITHIN SEVERAL MONTHS. OKITA NOTED SAUDIS HAVE ALSO APPROACHED SEVERAL OTHER WESTERN COUNTRIES WITH SIMILAR REQUESTS.

8. IN RESPONSE ECONCOM/MIN'S QUESTION, OKITA SAID HE DOES NOT EXPECT OIL CUTBACKS TO LAST TOO LONG. PRICE PROBLEM WILL REMAIN, OF COURSE, AND GOJ HAS NOT YET STUDIED THIS PROBLEM FULLY. SOME COUNTRIES WILL FACE

SERIOUS DIFFICULTIES AS RESULT OF PRICE RISES--FOR
INSTANCE, INDIA--BUT JAPAN SHOULD BE ABLE TO MANAGE AS
IT WILL CONTINUE TO BE ABLE TO FINANCE RAW MATERIAL
IMPORTS AND EXPORT FINISHED PRODUCTS AT HIGHER PRICES.
SHOESMITH

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